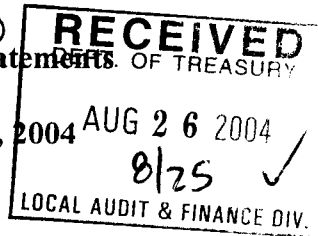


Seville Township
(Gratiot)
Financial Statements

March 31, 2004



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

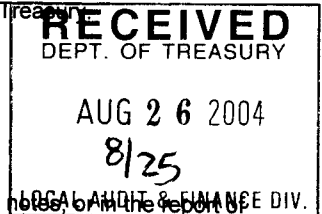
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name SEVILLE TOWNSHIP	County GRATIOT
Audit Date 3/31/04	Opinion Date 7/15/04	Date Accountant Report Submitted to State: 8/25/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) ROSLUND, PRESTAGE & CO., PC, CPA'S			
Street Address 308 GRATIOT AVENUE		City ALMA	State MI
Accountant Signature <i>[Signature]</i> CPA		ZIP 48801	Date 8-25-04

Seville Township
Financial Statements
March 31, 2004

Table Of Contents

Page Number

Township Board	
Independent Auditor's Report	
Financial Section	
Combined Balance Sheet - All Fund Types And Account Groups And Discretely Presented Component Units	1
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances - All Governmental Fund Types And Discretely Presented Component Units	2
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances - Budget And Actual – General Fund - Primary Government	3
Notes To The Financial Statements	4 - 10
Supplemental Information	
General Fund Statement Of Expenditures	11 – 12
Agency Fund Statement Of Changes In Assets And Liabilities	13
Discrete Component Unit – Library Fund – Statement Of Expenditures	14
Government Auditing Standards Report	15 - 16

Seville Township
Township Board
March 31, 2004

Roger Grant

Supervisor

Karmen Kerr

Treasurer

Jean Leonard

Clerk

Colleen Brantley

Trustee

John Gott

Trustee



Independent Auditor's Report

Township Board
Seville Township, Michigan

We have audited the accompanying general purpose financial statements of Seville Township as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of Seville Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Seville Township, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2004 on our consideration of Seville Township's internal control structure over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Roslund, Prestage & Co, P.C.
Roslund, Prestage & Company, P.C.
Certified Public Accountants

July 15, 2004

Seville Township
Combined Balance Sheet - All Fund Types And Account Groups And Discretely Presented Component Units
March 31, 2004

	Governmental Fund Types	Account Groups	Total (Memorandum Only)	Discrete Component Units	Total (Memorandum Only)
<u>Assets And Other Debits</u>					
Cash	\$155,727		\$155,727	\$14,182	\$169,909
Investments	163,252		163,252		163,252
General Fixed Assets		\$173,465	173,465	23,845	197,310
Total Assets	<u>\$318,979</u>	<u>\$173,465</u>	<u>\$492,444</u>	<u>\$38,027</u>	<u>\$530,471</u>
<u>Liabilities, Fund Equity And Other Credits</u>					
Liabilities					
Accounts Payable	\$2,963		\$2,963		\$2,963
Total Liabilities	<u>2,963</u>		<u>2,963</u>		<u>2,963</u>
Other Credits					
Investment In Fixed Assets		\$173,465	173,465	\$23,845	197,310
Fund Equity					
Fund Balance - Unreserved	316,016		316,016	14,182	330,198
Total Fund Equity And Other Credits	<u>316,016</u>	<u>173,465</u>	<u>489,481</u>	<u>38,027</u>	<u>527,508</u>
Total Liabilities And Fund Equity	<u>\$318,979</u>	<u>\$173,465</u>	<u>\$492,444</u>	<u>\$38,027</u>	<u>\$530,471</u>

See Accompanying Notes to Financial Statements.

Seville Township
Combined Statement Of Revenues, Expenditures, And Changes In Fund Balance -
All Governmental Fund Types And Discretely Presented Component Units
Year Ended March 31, 2004

	<u>Governmental Fund Types</u>	<u>Discrete Component Units</u>	<u>Total (Memorandum Only) Reporting Entity</u>
Revenues			
Taxes And Penalties	\$35,959		\$35,959
Licenses And Permits	362		362
State Grants	172,740	\$1,668	174,408
Charges For Services	2,662	1,240	3,902
Fines And Forfeits		36,598	36,598
Interest And Rentals	2,324	1,805	4,129
Other Revenues	4,398	3,191	7,589
Total Revenues	<u>218,445</u>	<u>44,502</u>	<u>262,947</u>
Expenditures			
Legislative	9,016		9,016
General Government	53,148		53,148
Public Safety	58,315		58,315
Public Works	52,274		52,274
Recreation And Cultural		49,287	49,287
Other			
Insurance, Bonds And Fringes	12,454		12,454
Capital Outlay	8,686	1,185	9,871
Total Expenditures	<u>193,893</u>	<u>50,472</u>	<u>244,365</u>
Excess Of Revenues Over (Under) Expenditures	24,552	(5,970)	18,582
Other Financing Sources (Uses)			
Operating Transfers In		4,000	4,000
Operating Transfers (Out)	(4,000)		(4,000)
Total Other Financing Sources (Uses)	(4,000)	4,000	-
Excess Of Revenue And Other Sources Over (Under) Expenditures And Other Uses	20,552	(1,970)	18,582
Fund Balance - April 1, 2003	<u>295,464</u>	<u>16,152</u>	<u>311,616</u>
Fund Balance - March 31, 2004	<u><u>\$316,016</u></u>	<u><u>\$14,182</u></u>	<u><u>\$330,198</u></u>

See Accompanying Notes to Financial Statements.

Seville Township
Combined Statement Of Revenues, Expenditures, And Changes In Fund Balance -
Budget And Actual - General Fund - Primary Government
Year Ended March 31, 2004

	General Fund		
	Budget	Actual	Variance
Revenues			
Taxes And Penalties	\$35,715	\$35,959	\$244
Licenses And Permits	-	362	362
State Grants	191,000	172,740	(18,260)
Charges For Services	2,725	2,662	(63)
Interest And Rentals	4,500	2,324	(2,176)
Other Revenues	500	4,398	3,898
Total Revenues	234,440	218,445	(15,995)
Expenditures			
Legislative	8,000	9,016	(1,016)
General Government	64,854	53,148	11,706
Public Safety	58,780	58,315	465
Public Works	63,360	52,274	11,086
Other			
Insurance, Bonds And Fringes	13,600	12,454	1,146
Capital Outlay	5,400	8,686	(3,286)
Total Expenditures	213,994	193,893	20,101
Excess Of Revenues Over (Under) Expenditures	20,446	24,552	4,106
Other Financing Sources (Uses)			
Operating Transfers (Out)	(4,000)	(4,000)	-
Total Other Financing Sources (Uses)	(4,000)	(4,000)	-
Excess Of Revenue And Other Sources Over (Under) Expenditures And Other Uses	16,446	20,552	4,106
Fund Balance - April 1, 2003	295,464	295,464	-
Fund Balance - March 31, 2004	\$311,910	\$316,016	\$4,106

See Accompanying Notes to Financial Statements.

Seville Township
Notes To Financial Statements
March 31, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Seville Township and its component units. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Discretely Presented Component Units. The Seville Township Library, which was established pursuant to section 10, 1877 PA 164, has a six-member elected library board. The library may not issue debt or levy a tax without the approval of the Seville Township Board.

Measurement Focus, Basis of Accounting and Basis of Presentation.

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the government funds not recorded directly in those funds.

The government has the following fund types and account groups:

Governmental funds are used to account for the government's general government activities. Government fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end.

Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include: (1) property tax revenue is recognized in accordance with MCGAA Statement 3, "Revenue Recognition of Property Taxes"; (2) normally, expenditures are not divided between years by the recording of prepaid expenses; and (3) payments for inventorable types of supplies are recorded as expenditures at the time of purchase.

Seville Township
Notes To Financial Statements
March 31, 2004

Governmental funds include the following fund types:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following fund types:

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

Account groups: The *general fixed assets account group* is used to account for fixed assets not accounted for in proprietary or trust funds. The *general long-term debt account group* is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

Budgets and Budgetary Accounting

The Township adopts an annual budget for the general fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Property Taxes

Property taxes are recognized in accordance with MCGAA Statement 3. Properties are assessed and leined as of December 31st and their related property taxes are billed on December 1st of the following year. These taxes are due on February 14th with the final collection date of February 28th before they are added to the county delinquent tax rolls.

The 2002 taxable valuation of the Township totaled \$33,263,301, on which ad valorem taxes levied consisted of .9013 mills for the Township's operating purposes.

The total 2003 levy for the Township operations was \$29,980.

Seville Township
Notes To Financial Statements
March 31, 2004

Assets, Liabilities and Equity

1. *Deposits*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. *Fixed Assets*

Fixed assets used in governmental fund types of the government and its component units are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

Public domain (infrastructure) general fixed assets (e.g., road, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group.

3. *Long-term Obligations*

The government reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

4. *Fund Equity*

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

5. *Memorandum Only-Total Columns*

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

Seville Township
Notes To Financial Statements
March 31, 2004

6. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and certain reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The budget is prepared on the modified accrual basis of accounting.

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the line item level.

The Township does not maintain a formalized encumbrance accounting system.

During the year ended March 31, 2004, the Township incurred expenditures in excess of amounts appropriated as shown on page 3 of this report.

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

Deposits and Investments

Deposits are carried at cost. Deposits are in three financial institutions in the name of the Township. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Seville Township
Notes To Financial Statements
March 31, 2004

The Township's deposits are in accordance with statutory authority. The Governmental Accounting Standards Board Statement No. 3 risk disclosures for deposits at year end are as follows:

Deposits (Bank Balance)	Seville Township	Discretely Presented Component Unit
Insured (FDIC)	\$100,000	\$13,211
Uninsured	49,556	-
Total Deposits	\$149,556	\$13,211

At year end, the balance sheet carrying amount of deposits was \$155,727 and \$14,182 for Seville Township and its discretely presented component unit, respectively.

In accordance GASB Statement 3, investments are classified into three categories of credit risk as follows:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the government's name.

At year end, the government's investment balances were as follows:

Risk-Categorized	Category 1	Carrying Amount	Market Value
Certificate of Deposits	\$163,252	\$163,252	\$163,252
Total Investments	\$163,252	\$163,252	\$163,252

Seville Township
Notes To Financial Statements
March 31, 2004

Fixed Assets

Activity in the general fixed assets account group for the government for the year ended March 31, 2004, was as follows:

	Balance 4-1-03	Additions	Disposals	Balance 3-31-04
Land / Building	\$112,191	\$1,397		\$113,588
Cemetery Equipment	8,732	5,959	\$8,083	6,608
Equipment and Furniture	18,206	1,330	400	19,136
Fire Equipment	34,133			34,133
Totals	\$173,262	\$8,686	\$8,483	\$173,465

Activity in the general fixed assets account group for the Library for the year ended March 31, 2004, was as follows:

	Balance 4-1-03	Additions	Disposals	Balance 3-31-04
Library Equipment	\$22,660	\$1,185	\$0	\$23,845
Totals	\$22,660	\$1,185	\$0	\$23,845

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

Seville Township
Notes To Financial Statements
March 31, 2004

Employees Retirement System – Defined Contribution Pension Plan

Seville Township participates in the Manulife Financial Defined Contribution Pension Plan for Governmental Employees. The name of the plan is the Seville Township Pension Plan.

All members of the Township Board and all Township Employees who are employed for more than 20 hours per week are eligible to participate in the plan.

An employee is eligible for normal retirement under the plan at age 65, and early retirement is permitted at any time after attainment of age 55.

Employer contributions for each participant will be 15% of compensation. In addition, Employees may make voluntary contributions on an after-tax basis in amounts ranging from 1% - 10% of compensation.

Benefits are 100% vested upon plan participation.

During the year, the employer contributions to the plan were \$8,117.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

Building Inspection Department Fund

Public Act 245 of 1999 was signed on December 28, 1999 and took immediate effect. This act amends the State Construction Code Act (Public Act 230 of 1972) and requires, among other things, the establishment of a special revenue fund to account for the revenues and expenditures associated with issuing building permits, examining plans and specifications, inspecting construction before issuing permits, and issuing certificates of use and occupancy.

The Township has not established this fund because the fee structure is not intended to recover the full cost and the Township has the ability to track the full cost and revenues of this activity without creating a separate fund.

The revenues generated under this act for the year ended March 31, 2004 were \$362. The expenditures incurred for this activity during the year ended March 31, 2004 were \$4,740.

Seville Township
General Fund
Statement Of Expenditures
Year Ended March 31, 2004

Legislative

Township Board

Salaries And Wages	\$2,280
Supplies	2,410
Other Services And Charges	4,326
Total Legislative	<u>9,016</u>

General Government

Supervisor

Salaries And Wages	7,200
Other Services And Charges	483
	<u>7,683</u>

Assessor

Salaries And Wages	6,984
Other Services And Charges	3,550
	<u>10,534</u>

Attorney

Contracted Services	<u>3,420</u>
---------------------	--------------

Clerk and Treasurer

Salaries And Wages - Clerk And Deputy	7,800
Salaries And Wages - Treasurer And Deputy	7,800
Other Services And Charges	929
	<u>16,529</u>

Board Of Review

Salaries And Wages	540
Other Services And Charges	357
	<u>897</u>

Building And Grounds

Utilities	3,360
Repairs And Maintenance	210
	<u>3,570</u>

Property - Other

Repairs And Maintenance	<u>1,732</u>
-------------------------	--------------

Cemetery

Other Services And Charges	<u>8,783</u>
----------------------------	--------------

Total General Government	<u>53,148</u>
--------------------------	---------------

See Accompanying Notes to Financial Statements.

Seville Township
General Fund
Statement Of Expenditures (Continued)
Year Ended March 31, 2004

Public Safety	
Other Support Services	
Other Services And Charges	<u>\$3,832</u>
 Fire Department	
Other Services And Charges	<u>49,743</u>
 Zoning Board	
Salaries And Wages	3,520
Other Services And Charges	<u>1,220</u>
	<u>4,740</u>
 Total Public Safety	<u>58,315</u>
 Public Works	
Drains - Public Benefit	
Other Services And Charges	<u>3,908</u>
 Highways, Streets, Bridges	
Other Services And Charges	<u>39,087</u>
 Street Lighting	
Other Services And Charges	<u>5,058</u>
 Other Sanitation	
Salaries And Wages	360
Other Services And Charges	<u>3,861</u>
	<u>4,221</u>
 Total Public Works	<u>52,274</u>
 Other	
Insurance, Bonds And Fringes	<u>12,454</u>
 Capital Outlay	<u>8,686</u>
 Total Expenditures	<u><u>\$193,893</u></u>

See Accompanying Notes to Financial Statements.

Seville Township
Tax Collection Agency Fund
Statement Of Changes In
Assets And Liabilities
Year Ended March 31, 2004

	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
<u>Assets</u>				
Cash		\$511,759	\$511,759	
Total Assets		\$511,759	\$511,759	
<u>Liabilities</u>				
Due To General Fund		\$31,145	\$31,145	
Due To County		337,751	337,751	
Due To State		2,131	2,131	
Due To Others		9,219	9,219	
Due To Schools		131,513	131,513	
Total Liabilities		\$511,759	\$511,759	

See Accompanying Notes to Financial Statements.

Seville Township
Discrete Component Unit - Library Fund
Statement Of Expenditures
Year Ended March 31, 2004

Library	
Salaries And Fringe Benefits	\$31,366
Office Supplies	1,677
Books And Periodicals	10,660
Repairs And Maintenance	752
Contracted Services	1,331
Communications	1,131
Utilities	1,793
Other	577
Equipment	1,185
	<hr/>
Total Expenditures	<u><u>\$50,472</u></u>

See Accompanying Notes to Financial Statements.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Seville Township
Gratiot County, Michigan

We have audited the general purpose financial statements of Seville Township as of and for the year ended March 31, 2004, and have issued our report thereon dated July 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Seville Township general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Seville Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

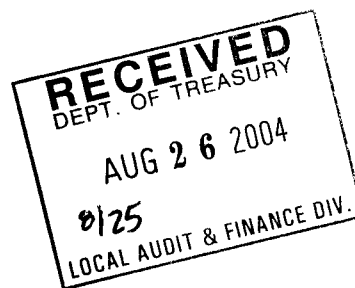
We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Seville Township, in a separate letter dated July 15, 2004.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Roslund, Prestage & Co, PC

Roslund, Prestage & Company, P.C.
Certified Public Accountants

July 15, 2004



Management Letter

Members of the Board
Seville Township, Michigan

In planning and performing our audit of the financial statements of Seville Township for the fiscal year ended March 31, 2004, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our audit report dated July 15, 2004, on the financial statements of Seville Township.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience.

Sincerely,

Roslund, Prestage & Co, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

July 15, 2004

GASB No. 34

On June 10, 1999, the GASB unanimously approved the issuance of GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This Statement will have a significant impact on the way state and local governments report their finances to the public.

GASB No. 34 establishes new requirements for the annual financial reports of state and local governments. The basic financial statements and required supplementary information for general purpose governments will include Management's discussion and analysis (MD&A). The MD&A is a narrative report prepared in an easy-to-read format by the financial manager. It should introduce the basic financial statements; provide an analytical over-view of the financial activities for the year based on the financial manager's knowledge of the transactions, events, and conditions reflected in the financial report and the fiscal policies that control the government's operations. Use of charts, tables, and graphs is encouraged.

In addition to the MD&A, full accrual accounting will also be required, which includes depreciation and capitalization of fixed assets. A substantial amount of time by management of Seville Township will be required to implement GASB No. 34.

The requirements of this GASB Statement are effective in three phases based on the total annual revenues of the government. For Seville Township, the effective implementation date must begin on April 1, 2004 and will be reflected in the financial statements to be issued for the March 31, 2006 audit.

We would be pleased to assist you with implementing GASB No. 34.

Organizational Structure

The size of the organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that all Township Board Members remain involved in the financial affairs of the organization to provide oversight and independent review functions of the monthly financial reports, bank statements, cancelled checks, paid invoices, and consideration of cash transactions.

Capital Outlay

During our audit, we found capital outlay expenditures recognized in the general ledger did not agree with the general fixed asset account group. In the future, we recommend management reconcile these two items on a regular basis.

It was also noted that certain capital assets were capitalized in excess of the price paid by the Township, with an offsetting amount recognized as miscellaneous income. We recommend that future acquisitions be recorded at actual cost paid for the item.

Payment of Sales Taxes

During our audit, we noted the Township paid sales tax on certain purchases. We recommend the Township establish an understanding with all vendors that they are exempt from paying sales taxes due to their status as a governmental entity. Also, we recommend the Township pay all invoices of the Township directly rather than on a reimbursement basis, where feasible, in order to avoid payment of sales taxes.

Library Fund General Ledger

Currently, the general fund general ledger is maintained with a computer software program. However, the library fund general ledger is maintained on a manual basis. During the 2005 fiscal year, we recommend management maintain the accounting transactions for the library fund on a computerized software program.